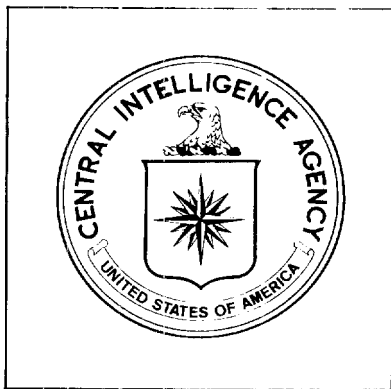


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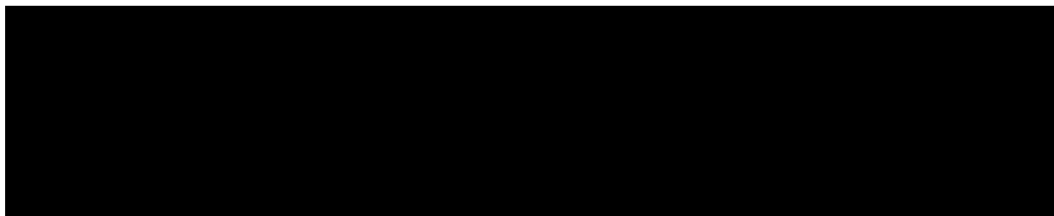
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C O N T E N T S



Sri Lanka: Cabinet Reshuffled. 4

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Sri Lanka

Cabinet Reshuffled

Prime Minister Bandaranaike's cabinet reshuffle on September 17 does not signal any major power shift within her dominant Sri Lanka Freedom Party (SLFP). The reallocation of portfolios follows a cabinet purge two weeks ago in which Bandaranaike expelled the three ministers from the Trotskyite Lanka Sama Samaja Party (LSSP), her principal coalition partner since 1970, and temporarily assigned their portfolios to SLFP ministers.

In the reshuffle, the Prime Minister has retained four important portfolios including defense and foreign affairs. Highway Minister Senanayake, the second ranking minister behind Bandaranaike, and other important SLFP ministers remain in the cabinet, although some portfolios have been swapped. Two new SLFP ministers were named, and the Moscow-oriented Communist Party, the other member of the governing coalition, retains one ministry.

With the cabinet issue apparently resolved, the way is clear for the Prime Minister and her new finance minister, Felix Bandaranaike--a distant relative--to deal with the country's serious economic problems, which include unemployment and a severe foreign exchange shortage. The Prime Minister realizes that some improvement in the economic picture is a political necessity before the next general election, which is constitutionally required by May 1977. In addition to providing some form of relief to the general public, the government will probably try to satisfy international lending agencies such as the International Monetary Fund, which is urging Colombo to devalue the currency and institute other economic reforms. The LSSP, having assumed the role of an active opposition party, can be expected to denounce such reforms and take the occasion to renew its attacks on the US. (CONFIDENTIAL)

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